Personal Taxpayer Series
IR121

Inland Revenue

Income tax and pensioners

We produce a wide range of leaflets, booklets and Helpsheets designed to explain different aspects of the tax system in plain English and to assist in the completion of tax returns. There is a charge for a few specialist publications, but most of them are free. Some you might find particularly helpful are

IR45	What to do about tax when someone dies
IR90	Tax allowances and reliefs
IR110	A guide for people with savings
IR120	You and the Inland Revenue
IR170	Blind person's allowance
IR171	Income tax. A guide for people with children
DPTC/BK1	Your guide to Disabled Person's Tax Credit
CGT1	Capital gains tax. An introduction
IHT3	Inheritance tax. An introduction
SA/BK8	Self Assessment. Your guide

Our leaflet IR120 'You and the Inland Revenue' tells you more about the standard of service you can expect and the steps to take if you want to comment on the service you receive, or complain about the way we have handled your tax affairs.

All these leaflets are available free of charge from any Inland Revenue Enquiry Centre, Tax Office, or Inland Revenue (NI Contributions) office. Addresses are in your local phone book under 'Inland Revenue'. Most offices are open to the public from 8.30 am to 4.30 pm, Monday to Friday, and some are also open outside these hours.

You can also get most of our leaflets by

- calling our Orderline on **08459 000404** between 8.00 a.m. and 10.00 p.m., seven days a week (except Christmas Day)
- fax on **08459 000604**
- e-mail on **saorderline.ir@gtnet.gov.uk** or
- writing to **PO Box 37**
  St Austell
  Cornwall PL25 5YN

Many leaflets are also available on the Internet at **www.inlandrevenue.gov.uk**

Your local library or Citizens' Advice Bureau may also have copies of our leaflets.

This leaflet is also available in Braille, audio and large print.

Our IR List 'Catalogue of leaflets and booklets' gives further information about our publications, most of which you can get from any Inland Revenue Enquiry Centre, Tax Office or Inland Revenue (NI Contributions) office.

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What is this leaflet about?

This leaflet will help you understand how income tax affects you as a pensioner. We try to give simple, straightforward answers to the sort of questions people ask about income tax when they reach retirement. We want to make sure you pay only as much income tax as you need to, if you need to pay tax at all.

We also give some basic information on capital gains tax and inheritance tax to help you decide when you might need to pay, if you need to pay at all, and where to go for more information.

If you think there is something we haven't mentioned which might apply to you, please ask your local Tax Office or Inland Revenue Enquiry Centre for help.

Do I need to have a reference number when I contact my Tax Office?

Not if you want general information, but if your question is more complicated and we need to look up your records which could be at several Tax Offices depending on your sources of income, it would be helpful if you can tell us your National Insurance (NI) number.

You will find your NI number on every letter or notice sent to you by your Tax Office. It looks like this

AB 12 34 56 C

You will also find it on

- your pension book
- a payslip
- a form P60 (a certificate of PAYE income and deductions which may be given to you by your pension provider or employer if you have one)
- a Notice of Tax Coding (P2)
- letters from the Inland Revenue NI Contributions Office.

Is there anything I need to tell my Tax Office when I become a pensioner?

Yes. It is important that you tell us

- your date of birth, so that we can give you the correct allowances, and

- how much your state pension is and the date you will start getting it. Tell us as soon as you know. We can then change any PAYE tax code or include correct details in any statement of your tax liability, which we send you after the end of the year.

How do I work out my taxable income?

The amount of income tax you pay, if any, depends on the taxable income you have in a tax year. A tax year runs from 6 April to the following 5 April.

In this section we tell you

- what sorts of income are taxable
- what sorts of income are not taxable
- how any joint income you have with your spouse will be taxed
- how to work out your taxable income.

What income is taxable?

- Your state retirement (old age) pension. More information about the tax treatment of state retirement pensions is given on page 18.
- Private pensions (i.e. pensions from previous employers, personal pensions, retirement annuities and Free-Standing Additional Voluntary Contribution Schemes (FSAVCS)).
- Invalid care allowance and invalidity addition paid with a retirement pension.
- Widow's pension.
- Widowed mother's allowance.
- Incapacity benefit - all benefit paid in respect of new claims from 13 April 1995 (except benefit paid during the first 28 weeks of incapacity).
- Gross interest from a bank, building society or local authority. If tax has been taken off, you must add it back again. For example, if you get £80 interest from a savings account after £20 tax has already been taken off, the 'gross interest' is £100 (£80 + £20).
- Interest from National Savings investments (except National Savings Certificates and the first £70 of interest from ordinary accounts with the National Savings Bank).
- Dividends on shares and dividends from authorised unit trusts (remember, when working out your total taxable income, you should add on any tax credit to the dividends).
- Other income from unit trusts (remember to add on any income tax deducted to the income).
- Any earnings from a job or business.

- Income from property.
- Taxable gains on life assurance policies.
- Your share of any joint income. If you are married, this is usually half the total amount.

What income is not taxable?

- Cold weather payments.
- Widow's payment.
- Incapacity benefit paid for the first 28 weeks of sickness.
- Incapacity benefit paid to someone who was receiving invalidity benefit paid before 13 April 1995, provided there has not been a break of more than 8 weeks in the claim.
- Attendance allowance and disability living allowance.
- War disablement pension.
- War widow's pension.
- Income support (except where claimed by strikers in respect of adult dependants).
- Income from tax-free National Savings investments such as Savings Certificates or the first £70 of interest on an ordinary account with the National Savings Bank.
- Interest, dividends, and bonuses from a Tax Exempt Special Savings Account (TESSA), unless you closed your TESSA before the five years were up - for details, ask the Tax Office or Inland Revenue Enquiry Centre for leaflet IR114 'TESSA - tax free interest for taxpayers'.
- Interest and terminal bonuses under Save As You Earn schemes.
- Dividend and other income from a Personal Equity Plan (PEP), or interest from a PEP unless you withdraw more than £180 interest - for details ask the Tax Office or Inland Revenue Enquiry Centre for leaflet IR89 'Personal Equity Plans'.
- Interest, dividends and other income from an Individual Savings Account (ISA) - for details, ask the Tax Office or Inland Revenue Enquiry Centre for leaflet ISA/1 ' The answers on ISAs'.
- Premium Bond, National Lottery, and gambling prizes.

I am married - how will any joint income I have with my spouse be taxed?

If you and your spouse hold any of the following in joint names, you are treated as if you own it in equal shares.

- Bank or building society accounts.
- Shares.
- Property which you rent out.
- Any other property which provides income.

Each of you is taxed on half the income, unless you tell your Tax Office otherwise. You will only have to pay tax on your half if you are liable to tax.

If you want to know more about this, please ask your Tax Office.

How do I work out my taxable income?

You need to add up your gross income for the tax year. Your gross income is the income you have received in the tax year, before any tax has been taken off, so you may need to add back any tax that has been taken off your income before you get it.

Filling in the table below may help you

	Amount received	Tax (or tax credit)	Gross amount
State pension			
Other pensions			
Savings interest			
Dividends			
State benefits			
Earnings			
Any other income			
	Total taxable income		

What are the rates of income tax?

Tax rates and bands of taxable income can vary from year to year. However, for the tax year 1999-2000 (which starts on 6 April 1999 and ends on 5 April 2000) the rates of income tax and bands of taxable income are

- starting rate of 10% £0 - £1,500
- basic rate of 23% £1,501 - £28,000
- higher rate of 40% over £28,000.

The rates of tax on dividends are 10% for income up to the basic rate limit (£28,000 in 1999-00) and 32.5% above that.

Any Tax Office or Inland Revenue Enquiry Centre will be able to provide you with information about income tax rates for other years.

More information about capital gains tax and inheritance tax rates is given on pages 20 and 22.

What is my personal allowance?

A tax allowance is not a payment to you. It is a way of reducing the tax you pay on your income.

What personal allowance can I have?

Everybody gets at least one allowance - the personal allowance. This is an amount of income you can receive without having to pay any tax.

There are three different amounts of personal allowance. You can qualify for the higher amounts if you are aged 65 or over. For the tax year 1999-00, the amounts are:

- £4,335 if you are under 65
- £5,720 if you are aged 65 to 74
- £5,980 if you are aged 75 or over.

You do not have to claim the personal allowance. You should get it automatically, but if you are aged 65 or over, don't forget that your Tax Office will only know your age if you have told them or shown your date of birth on a tax return or claim form.

Whether you are entitled to all or part of the higher amounts due because of age can depend on your income. If your income from all sources in a tax year does not exceed your personal allowance, you do not have to pay any income tax. You may be able to have more income in a year without paying tax if you are entitled to other allowances. Pages 8 to 13 give more information about other allowances.

Can the amount of income I get affect the amount of personal allowance I get?

Possibly, but only if your income is above a certain 'income limit' - £16,800 in 1999-00.

Every year there is an income limit for the higher age-related allowances. If your income is more than the limit then it will affect your entitlement to these higher personal allowances. For every £2 of income you have over the limit, you will have £1 taken off the higher amount of your personal allowance. No matter how large your income, you will still get the basic personal allowance given to people under 65.

The following examples should help you to understand how the personal allowance works. Remember, though, that everyone's circumstances are different.

Example 1

John Smith retired on 31 December 1999, his 65th birthday. His income in 1999-00 is made up of

his year's pay to retirement date	£9,000
his pension from his former employer	£1,500
his state retirement pension	£1,000
	£11,500

John's taxable income of £11,500 is below the income limit for 1999-00 of £16,800, so he is entitled to the full personal allowance for a person aged 65-74. In 1999-00, this is £5,720. John has to pay tax on his taxable income after his personal allowance is taken off.

Taxable income	£11,500
less personal allowance	£5,720
	£5,780

In the tax year 1999-00, John's tax bill will be

£1,500 at 10%	£150.00
£4,280 at 23%	£984.40
	£1134.40

Example 2

Ann Jones is aged 76. Her income in 1999-00 is made up of

her pension from her former employer	£13,600
her state retirement pension	£3,100
income from property	£1,000
her war widow's pension	£800
National Savings Bank (ordinary account) interest	£40
	£18,540

Ann's war widow's pension is not taxable and the interest from her National Savings Bank ordinary account is less than £70, so it is not taxable income either. So Ann's total taxable income is

pension from former employer	£13,600
state retirement pension	£3,100
income from property	£1,000
	£17,700

Ann's total taxable income of £17,700 is £900 above the limit of £16,800, which means that her personal allowance is reduced by £1 for every £2 of income above the limit. This means it is reduced by £450, or half of £900.

In 1999-00, the full personal allowance for a person aged 75 or over is £5,980. Ann's personal allowance of £5,980 minus £450 works out at £5,530. Ann has to pay tax on her taxable income after the personal allowance is taken off.

Taxable income	£17,700
less personal allowance	£5,530
	£12,170

In the year 1999-00, Ann's tax bill will be

£1,500 at 10%	£150.00
£10,670 at 23%	£2454.10
	£2,604.10

The blind person's allowance

Like the personal allowance, the blind person's allowance allows you to receive an amount of income without having to pay tax. It is an extra amount which is added to your personal allowance. The amount of the blind person's allowance is the same for everyone who can claim it, whatever their age or their level of income. In 1999-00 the amount is £1,380.

You can claim the blind person's allowance if

- you are registered as blind with a local authority in England or Wales, or
- you live in Scotland or Northern Ireland and your eyesight is impaired to the extent that you are unable to perform any work for which eyesight is essential.

If you think you might be eligible to claim this allowance, contact your local Tax Office.

A married couple who both qualify for the blind person's allowance can claim an allowance each. If you are married and living with your spouse and you are unable to use all your blind person's allowance, you can transfer the unused part to your husband or wife to reduce the tax he or she has to pay. See leaflet IR170 'Blind person's allowance'.

The married couple's allowance

Up to 5 April 2000, a married couple living together can claim the married couple's allowance. After that date, younger couples will no longer be able to have the allowance, but if either you or your spouse is 65 or over on 5 April 2000, you can continue to have the married couple's allowance after that date. If you marry after 5 April 2000, and either you or your new spouse is 65 or over on that date, you can start to claim the married couple's allowance from the year of marriage.

How is the married couple's allowance given?

The married couple's allowance is restricted to give relief at a fixed rate - 10% from 1999-00. This means that, unlike the personal allowance, the married couple's allowance is not income you can receive without having to pay tax. Instead, it reduces your tax bill by up to a fixed amount. This amount is calculated as 10% of the amount of the allowance you are entitled to.

There are three different amounts of married couple's allowance.

- If both you and your spouse are aged under 65, you can qualify for the basic married couple's allowance. In 1999-00, this is £1,970 at 10%, so it is worth up to £197 off your tax bill. If you are both still under 65 on 5 April 2000, you will not be able to have the allowance after that date.

- If either you or your spouse are aged 65-74, you may be able to have a higher married couple's allowance. In 1999-00, this is £5,125 at 10%, so it is worth up to £512.50 off your tax bill.

- If either of you are aged 75 or over, you may be able to have the highest amount of married couple's allowance. In 1999-00, this is £5,195 at 10%, so it is worth up to £519.50 off your tax bill.

If you or your spouse is 65 or over, don't forget that your Tax Office will only know your age if you have told them or shown your date of birth on a tax return or claim form.

Whatever the level of the allowance, it is normally reduced in the year of marriage to take account of the part of the year before the marriage, see page 15.

Who gets this allowance?

A husband and wife can jointly decide which of them will get the allowance. Alternatively, either husband or wife can elect to have the allowance split equally between them. If there is no election, the husband will normally get the allowance. The extra allowance due because of age must go to the husband unless he does not have sufficient income to use it.

How do we arrange for the allowance to be split equally or transferred from husband to wife?

You will need to tell your Tax Office what you want to happen before the start of the new tax year, which begins on 6 April. In the year you get married, the allowance can be split or transferred immediately.

It is very simple to do. Ask your Tax Office for a Form 18 to complete. If you need help filling in the form, your Tax Office will be pleased to help you.

Once you have done this, the change will apply until you decide to alter it. You do not need to complete a new form every year. If you do want to alter it, the new arrangements will take effect at the start of the tax year after you have told the Tax Office about the change.

What if I cannot use all my share of the married couple's allowance?

If you do not have enough income tax liability to use all of your share of the married couple's allowance, you can transfer the unused part of it to your husband or wife.

If you think this might apply to you or you are not sure, get in touch with your Tax Office. If you do not have one, ask your husband or wife to get in touch with his or her Tax Office. If you are unsure about what the exact amount of unused allowances will be, your Tax Office can estimate the amount and transfer it on a provisional basis. Soon after the end of the tax year, the Tax Office will check the estimate against your actual income to see if the right amount of tax has been paid.

Can the amount of income I get affect the amount of married couple's allowance?

Possibly. Like the personal allowance, the married couple's allowance can be gradually reduced at the rate of £1 of the allowance for every £2 of income above the income limit.

The amount of married couple's allowance can only be affected by the husband's income, and it only starts to be affected if his personal allowance has already been reduced back to the basic level for people under 65. The wife's income never affects the amount of the married couple's allowance. It does not matter whether all or part of the allowance has been transferred to her.

Whatever the level of the husband's income, the married couple's allowance can never be reduced below a minimum level. In 1999-00 this minimum amount is £1,970 at 10%.

The following examples should help you to understand how the married couple's allowance works. Remember, though, that everyone's circumstances are different.

Example 1

George and Sue are a married couple. He is aged 67 and she is aged 62. In the year 1999-00, George has total taxable income of £10,000 and claims the full married couple's allowance (MCA). His income and allowances are as follows

Taxable income	£10,000
less personal allowance	£5,720
	£4,280

In 1999-00, George's tax bill will be

£1,500 at 10%	£150.00
£2,780 at 23%	£639.40
	£789.40
less married couple's allowance (£5,125 at 10%)	£512.50 **£276.90**

Example 2

Joy and Jonathon are a married couple. They are both retired. He is aged 64, and she is aged 63. They agree to share the married couple's allowance between them.

In the tax year 1999-00, Jonathon has a total taxable income of £9,000

Taxable income	£9,000
less personal allowance	£4,335
	£4,665

In 1999-00, Jonathon's tax bill will be

£1,500 at 10%	£150.00
£3,165 at 23%	£727.95
	£877.95
less half the MCA (£985 at 10%)	£98.50
	£779.45

In the tax year 1999-00, Joy has a total taxable income of £7,000

Taxable income	£7,000
less personal allowance	£4,335
	£2,665

In 1999-00, Joy's tax bill will be

£1,500 at 10%	£150.00
£1,165 at 23%	£267.95
	£417.95
less half the MCA (£985 at 10%)	£98.50
	£319.45

Example 3

David and Anne are a married couple. He is aged 68 and goes out to work part-time. She is aged 64 and has some pension and savings income.

In the tax year 1999-00, David claims the full married couple's allowance. He doesn't have enough income to use it all, so he can get in touch with his Tax Office and arrange for the surplus to be transferred to Anne.

In 1999-00, David's allowances and income are as follows

Taxable income	£8,515
Less his personal allowance	£5,720
Amount taxable	**£2,795**
Tax due on £1,500 at 10%	£150.00
Tax due on £1,295 at 23%	£297.85
	£447.85
less married couple's allowance of £5,125 at 10%	£512.50
David's tax liability	**nil**
Amount of allowance unused	**£64.65**

So David could give the £64.65 unused married couple's allowance to Anne.

Taxable income	£5,055
Less her personal allowance	£4,335
Amount taxable	**£720**
Tax due on £720 at 10%	£72
less unused married couple's allowance	£64.65
Anne's final tax liability	**£7.35**

What if I have a child living with me?

Up to 5 April 2000, you may be able to claim the additional personal allowance if you have a child living with you for at least part of the year and you are

- unmarried
- separated or divorced
- a widow or widower, or
- a married person whose spouse is unable to look after himself or herself at all, for the whole of the tax year, because of illness or disability.

The child must be your own child, your stepchild, or a child you have adopted. Children who are 16 or more at the start of the year must be in full-time education or training. If you look after any child at your own expense, and they are under 18 at the start of the tax year, you may also be able to claim this allowance.

The additional personal allowance is given in the same way as the married couple's allowance. Whatever your age or level of income, it reduces your tax bill by up to a set amount (£197 in 1999-00). However, the allowance is being abolished after 5 April 2000.

If you think you may be entitled to claim this allowance for any year up to and including 1999-00, or you are not sure, you should contact your Tax Office.

Where can I find more information?

Our leaflet IR90 'Tax Allowances and Reliefs' contains more details about the additional personal allowance.

A new children's tax credit is being introduced from April 2001. Your Tax Office or Inland Revenue Enquiry Centre will be able to give you more information about this nearer the time.

What happens to my tax allowances if my circumstances change?

What happens to our allowances if we separate or get divorced?

In the year of separation or divorce, each spouse will continue to receive married couple's allowance according to the arrangements in place at the time of separation.

Up to 5 April 2000, you may also be able to claim all or part of the additional personal allowance if you separate or get divorced and you have a child living with you in the year after the separation, provided you do not get the full married couple's allowance in that year.

What about maintenance payments?

Maintenance payable before 6 April 2000

Leaflet IR93 'Separation, divorce and maintenance payments' explains the tax treatment of maintenance payments payable before 6 April 2000.

Maintenance payable on or after 6 April 2000

Maintenance payable on or after 6 April 2000 will qualify for tax relief only where one or both of the parties to the marriage was born before 6 April 1935. You can get tax relief on the maintenance payments you make if all the following conditions are satisfied.

- You make payments under
  - a Child Support Agency assessment
  - a court order, or
  - a written agreement which is legally binding.
- You make the payments to your former or separated husband or wife.
- Your former husband or wife has not remarried.
- The payments are for his or her own maintenance, or for his or her maintenance of a child under 21 of whom you are both the parents, or whom you have treated as a member of your family.

The tax relief is limited to the same amount, and is given in the same way as the basic married couple's allowance - that is, up to £1,970 at 10% in 1999-00 (see page 9).

You may be able to get tax relief if you make maintenance payments under a foreign court order or written agreement. For more information, contact your local Tax Office.

What happens in the year we marry?

The husband

- can claim one twelfth of the married couple's allowance for each, whole or part, tax month of his marriage (a tax month runs from the 6th day of one month to the 5th day of the following month), **or**

- can continue to get any married couple's allowance he is receiving for a previous marriage which existed at the beginning of the year, or

- can choose to claim the additional personal allowance for a child living with him instead of claiming the married couple's allowance.

The wife

can continue to get the additional personal allowance if she had a child living with her before the date she married, but within the year she married. In addition to this

- she can have half of the married couple's allowance the couple are entitled to for the new marriage (and can jointly agree with her husband to have the other half transferred to her), or

- she can continue to get any married couple's allowance she is receiving for a previous marriage.

Please remember

- you will not be able to have the married couple's allowance after 5 April 2000 unless either you or your spouse (including your new spouse if you remarry) is aged 65 or more on that date

- you cannot have the additional personal allowance after 5 April 2000.

What happens if my husband or wife dies?

The allowances you get in the tax year in which your husband or wife dies can be set against any income you have in that year.

If your husband dies

You will get your personal allowance and any part of the married couple's allowance you are entitled to for that year which cannot be used against your husband's income up to the date of his death. If you are already receiving all or half of the married couple's allowance in the year of your husband's death, as much as possible of that allowance must be transferred back and set against your late husband's income.

If your husband dies before 6 April 2000, you will also receive the widow's bereavement allowance in the year of his death, provided you were living with him at some time during the year, and also in the following year unless you remarry before the start of that year. You may also be able to claim all or part of the additional personal allowance if you become a widow and you have a child living with you in the part of the year after your husband's death.

The widow's bereavement allowance and the additional personal allowance work in the same way as the married couple's allowance. Whatever your age and level of income, they each reduce your income tax bill by up to a fixed amount (£197 in 1999-00). The widow's bereavement allowance is being abolished for new claimants after 5 April 2000. If your husband dies after that date you will not be able to claim the allowance. The additional personal allowance is being abolished for everybody after 5 April 2000.

If your wife dies

In that year you will get both the personal allowance and any share of the married couple's allowance you had up to the date of her death. You can also have any part of your late wife's share of the married couple's allowance, which cannot be set against her income. In the following year, you just get the personal allowance unless you remarry in that year and either you or your new wife is 65 or over on 5 April 2000. For the years up to and including 1999-00, you may also be able to claim the additional personal allowance in the year after your wife died, if you have a child living with you.

How will my tax allowances be shown in my PAYE tax code?

The rate of relief for some allowances is restricted to 10%, and they reduce your income tax bill by up to a set amount. They are

- the married couple's allowance
- the additional personal allowance
- the widow's bereavement allowance
- relief given for maintenance payments up to an amount of £1,970.

This means that they have to be shown in a special way in your tax code. As well as the full amount of the allowance shown on the left-hand side of your coding notice, most people will have a reduction, shown as 'ALLOWANCE RESTRICTION', on the right-hand side. This is designed to ensure that the tax you pay is reduced by the correct amount.

The way code numbers work in the PAYE system means that relief for your allowances is given at your highest rate of tax. The 'ALLOWANCE RESTRICTION' in your tax code collects extra tax to bring your tax relief down to the 10% rate on your restricted allowances. Having the allowance still means that you pay less tax than you would do otherwise.

We will check these restrictions after the end of the tax year. Let your Tax Office know about any substantial changes in your income so that they can check the restriction in your code.

If you want more information about these restrictions, Inland Revenue Enquiry Centres and Tax Offices have a factsheet called FS1 Factsheet 1 - allowance restrictions.

The personal allowance and the blind person's allowance work in a different way to the allowances mentioned above. They allow you to receive an amount of income without having to pay tax, and they are not restricted. The full amount of these allowances is shown on the left-hand side of your coding notice. There is no 'ALLOWANCE RESTRICTION' for these allowances.

How will I be taxed on my state retirement pension?

Tax will not be deducted from your state retirement pension before you receive it. If you have other income on which PAYE is operated, such as an occupational pension, your PAYE code will be adjusted to take account of your state retirement pension. This means that when you start to receive your state retirement pension, more tax will normally be deducted from your earnings or occupational pension.

The amount of state retirement pension on which you are taxed in any tax year is the amount you would have been paid had you chosen to receive your pension weekly. Although you may receive your pension monthly or quarterly, this does not affect the way the tax due on your pension is calculated.

There are two other points worth remembering about state retirement pensions.

- For tax purposes, we treat a married woman's state retirement pension as her income even if it is paid as a result of her husband's contributions.

- A state retirement pension may include an extra amount, known as the 'adult dependency addition'. For example, this could be paid where the pensioner's husband has not reached the state pension age. We treat the adult dependency addition as part of the taxable income of the person to whom it is paid.

Do I have to pay income tax on the interest from my savings?

It depends on the amount of your taxable income and the allowances you can claim.

Generally, banks, building societies and local authorities have to take tax at the rate of 20% off your interest before they pay it. If your total taxable income is covered by your tax allowances, you should not be paying any income tax. You can arrange for your bank, building society or local authority to pay your interest without tax taken off by completing a simple form - R85. This is called 'registering'.

If you could have registered your bank, building society or local authority accounts, but have not done so, you can claim back the tax that has been overpaid. If you are not eligible to register, because your taxable income is more than your tax allowances, but the tax taken off your interest is more than the tax that you are due to pay, you can claim back the tax that has been overpaid.

You can find out more from our booklet IR110 'A guide for people with savings'. That guide explains how to work out

- if you can register to get your interest without tax taken off, and
- if you can claim tax back.

If you have registered to get your interest without tax taken off and then find that you should be paying tax, tell your bank, building society or local authority immediately. They will start to take tax off interest paid to your account. For example, your income might increase if you become entitled to a state retirement pension and you may have to start paying tax. You should also remember that, whether or not you have registered for interest to be paid with no tax taken off, you must include the gross figure when working out your taxable income.

How do I claim tax back?

If you know which Tax Office deals with your affairs, and you haven't received a Repayment Claim form, you should complete a form R40(SP)(M). You can get this form from any Inland Revenue Enquiry Centre or Tax Office, together with guidance notes on how to complete it. Once you have completed the form send it to your Tax Office. If you already receive a Repayment Claim form each year, your Tax Office will continue to send you a form automatically. All you have to do when you receive the form is fill it in and send it back.

If you don't know where your Tax Office is, look at the list at the end of this guide. It shows which areas are dealt with by the Inland Revenue Offices that specialise in repayment claims. Complete the form R40(SP)(M) and send it to the Office that handles claims for your area. For example, if you live in Norfolk, send the form to Leicester 7. The Office addresses are on page 25.

You will need the certificates or bank statements showing the amount of tax taken off your interest to help you complete the Repayment Claim form.

Some banks and building societies automatically issue certificates showing the amount of tax taken off your interest. If yours does not automatically issue certificates, you can get them by writing to the branch where your account is held. You should keep all these certificates, or your bank or building society statements, in a safe place as you will need them to make a claim. Companies which pay you dividends automatically send you a certificate (sometimes called a tax credit voucher) showing the dividend and any tax credit. Again, you should keep all these certificates.

Another reason why you should keep your certificates (or other records) in a safe place is that we may ask to see them to check the accuracy and completeness of your claim. All claims are checked, but we will only ask to see certificates (or other records) in a certain proportion of claims. If this is the case, please send us the original certificates, not photocopies. Typically, you should keep the certificates (or other records) for about two years from the end of the tax year for which your claim is made, as you may be liable to a penalty if you do not do so. If you have lost your certificates or statements, ask your bank or building society for duplicates (though they might charge for these).

Even if we carry out a more detailed check, this does not mean that we think that anything is wrong with your claim. Indeed, we will normally repay the amount claimed before writing to you to check the information on which the claim is based.

We will do all we can to send repayments out as quickly as possible, but we may not be able to avoid some delay, especially during April to September when most people send us their claims.

Can my retirement annuity be paid to me without tax being deducted?

Pensions are normally paid from retirement annuity contracts after basic rate tax has been taken off. If your total taxable income is covered by your tax allowances, you can ask your pension provider to pay your retirement annuity without deducting any tax. Your retirement annuity provider will give you a form (R89) on which to make this request.

If you are due to pay some tax, but less than the amount that has been deducted from your retirement annuity, you can ask for a refund from the Inland Revenue. The addresses and contact numbers for our offices that deal with tax refunds are shown at the end of this leaflet.

When might I have to pay capital gains tax?

Very simply, you may have to pay capital gains tax if you dispose of an asset which is worth more than it was worth when you acquired it.

Any form of property may be an asset for capital gains tax purposes. Common assets include

- stocks and shares
- land and buildings
- business assets.

However, the disposal of some assets or the receipt of some amounts of some money are exempt, which means you will not have to pay capital gains tax on them. For example

- private cars
- personal effects and goods worth £6,000 or less when disposed of
- Savings Certificates, Premium Bonds and British Savings Bonds
- gains made within a Personal Equity Plan (PEP) or Individual Savings Account (ISA), and bonuses from tax exempt special savings accounts (TESSAs)
- UK Government stocks (gilts)
- foreign currency for your or your family's personal use
- life assurance policies and deferred annuity contracts, unless bought from a third party
- betting, lottery or pools winnings
- Save As You Earn (SAYE) terminal bonuses
- compensation for mis-sold personal pensions taken out as a result of disadvantageous advice given between 29 April 1988 and 30 June 1994.

In most cases, tax is not due on any gains made when you dispose of your home.

In 1999-00 net capital gains (after deduction of allowable losses) over £7,100 are charged at 20% when income and gains added together do not exceed the basic rate limit (£28,000 in 1999-00), and at 40% where they exceed that limit.

Our leaflet CGT1 'Capital gains tax. An introduction', explains in more detail when you might have to pay capital gains tax, and what you should do in those circumstances.

What do I need to do about tax when someone dies?

We produce a leaflet (IR45) which will help you understand the consequences that arise when someone dies. It gives information about income tax, capital gains tax and inheritance tax. There are sections about the responsibilities of personal representatives and trustees, and about the tax treatment of beneficiaries. You can get this leaflet from Inland Revenue Enquiry Centres and Tax Offices.

Will any inheritance tax be payable on my death?

It depends on your circumstances. Only around 3 in 100 of all estates pay any inheritance tax. There is a threshold, £231,000 for deaths after 5 April 1999, below which you do not have to pay inheritance tax. Generally, any value above the threshold is taxable at 40%, although there are a number of specific reliefs and exemptions which may apply.

We produce a series of leaflets which provide more information on inheritance tax. Our leaflet IHT3 'Inheritance tax. An introduction', is a good place to start.

What is Self Assessment?

Self Assessment is a way of working out and paying tax. It is not a new tax. It applies to everyone who gets a tax return.

The Self Assessment tax return

- is tailored to your circumstances
- has to be filled in with figures for all your income, gains, reliefs and allowances
- should be sent back by 30 September if you want the Inland Revenue to work out how much tax you need to pay
- should be sent back by 30 September if you want the Inland Revenue to collect your tax (less than £1,000) through PAYE where possible
- must be sent back by (usually) 31 January, or you have to pay a penalty.

Most pensioners don't get a tax return and pay their tax through PAYE or other deduction at source arrangements. However, we may ask some pensioners with more complex affairs to fill in a tax return. If we send you a tax return, fill it in and send it back as soon as possible.

If you would like more information about Self Assessment, our leaflet SA/BK8 'Self Assessment. Your Guide' is a good place to start.

Of course, you don't have to wait for us to send you a tax return if you think your income is not being properly taxed, or if your circumstances change. The important thing is to let us know the details as soon as you can.

Do I have to keep any records about my tax affairs?

From April 1996, everybody must keep records so that they can complete a Tax Return fully and accurately if they are asked to do so.

It makes sense to keep anything supplied to you by the Tax Office or your pension provider, or by your employer if you have one. For example

- Notices of Tax Coding (forms P2)
- forms P60 (certificates of PAYE income and deductions which may be given to you by your pension provider or employer if you have one)
- any other certificate of a pension you received and the tax deducted from it
- payslips
- details given to you by the Benefits Agency about your state retirement pension or other taxable social security benefits
- information from your bank or building society about interest on your account.

If you are not sure what records you should keep, ask your Tax Office or Inland Revenue Enquiry Centre for advice.

Where can I go for help?

Any Tax Office or Inland Revenue Enquiry Centre. Look in your local telephone book under 'Inland Revenue' for the nearest to you.

You can visit

The staff will probably be able to answer all your questions on the spot. If they do need to look up your records, they will simply contact the Tax Office which holds your main record to get any information they need. The staff will be happy to explain anything you need to know. They will also give you any forms you might need and can explain how to complete them.

If necessary, at your request, the Tax Office that holds your records can send your papers to your local Tax Office for you to have a private interview.

If visiting a Tax Office is difficult because of disability or infirmity, you may be able to arrange a home visit by contacting your local office, if your query cannot be resolved on the telephone.

You can telephone

Calls to Tax Offices and Inland Revenue Enquiry Centres are charged at the national rate. Calls to the orderline and helplines are charged at local rates. If we cannot resolve your query straight away we will call you back.

You can write

The address you should write to will be on forms and letters you receive from your Tax Office. If you have communications from more than one Tax Office you should write to the office that issues your tax return. If you do not receive a return you can contact staff at your local office who will be able to assist you.

What can I do if I want to comment about the way my tax affairs have been dealt with?

We always value any comments on the service you have received from your Tax Office or Inland Revenue Enquiry Centre. We welcome any suggestions that could improve the service we provide for you.

If you have a complaint which the Officer in Charge of your own Tax Office cannot settle, you should contact the Inland Revenue Director responsible for the area dealing with your tax affairs. Our leaflet IR120 'You and the Inland Revenue' tells you how to do that. It is available from any Tax Office or Inland Revenue Enquiry Centre.

If the Director does not settle your complaint to your satisfaction you can ask the Adjudicator to look into it and recommend appropriate action. The Adjudicator, whose services are free, is an impartial referee whose recommendations are independent. The address is:

The Adjudicator's Office
Haymarket House
28 Haymarket
London SW1Y 4SP

Tel: 0171 930 2292
Fax: 0171 930 2298

The Adjudicator's leaflet AO1 (also obtainable from Inland Revenue offices) gives information about complaining to the Adjudicator.

You can also ask your MP to refer your case to the independent Parliamentary Commissioner for Administration (usually known as the 'Ombudsman'). The Ombudsman will accept referral from any MP, but you should approach your own MP first. Further information is available from.

The Parliamentary Commissioner for Administration
Millbank Tower
Millbank
London SW1P 4QP

Tel: 0207 217 4163
Fax: 0207 217 4160

Or you can ask your MP to take up your case with the Inland Revenue or with the Treasury Ministers.

How to help us improve our overall service

We welcome any general comments you have on how to improve our service to all our customers.

List of Inland Revenue Offices dealing with Repayment Claim forms, and their addresses.

AREA	INLAND REVENUE OFFICE
Former Avon	St Austell 2
Bedfordshire	Bootle 1
Berkshire	St Austell 2
Buckinghamshire	Bootle 1
Cambridgeshire	Bootle 1
Cheshire	Glenrothes
former Cleveland	Bootle 1
Cornwall/Isles of Scilly	St Austell 2
Cumbria	Bootle 1
Derbyshire	Leicester 7
Devon	St Austell 2
Dorset	St Austell 2
Durham	Bootle 1

East Sussex	Belfast 7
Essex	Leicester 7
Gloucestershire	Belfast 7
Greater Manchester	Glenrothes
Hampshire	St Austell 2
Hereford/Worcester	Belfast 7
Hertfordshire	Leicester 7
former Humberside	Bootle 1
Isle of Wight	St Austell 2
Kent	Belfast 7
Lancashire	Bootle 1
Leicestershire	Leicester 7
Lincolnshire	Leicester 7
Merseyside	Bootle 1
Middlesex	Bootle 1
Norfolk	Leicester 7
Northamptonshire	Bootle 1
Northumberland	Bootle 1
North Yorkshire/York	Bootle 1
Nottinghamshire	Leicester 7
Oxfordshire	Belfast 7
Shropshire	Belfast 7
Somerset	St Austell 2
South Yorkshire	Leicester 7
Staffordshire	Belfast 7
Suffolk	Leicester 7
Surrey	Glenrothes
Tyne and Wear	Bootle 1

Warwickshire	Belfast 7
West Midlands	Belfast 7
West Sussex	St Austell 2
West Yorkshire	Leicester 7
Wiltshire	St Austell 2
Wales	Belfast 7
Northern Ireland	Belfast 7
Scotland	Glenrothes
London	
E1-18	Leicester 7
EC1-4	Leicester 7
N1-22	Leicester 7
NW1-11	Bootle 1
SE1-29	Glenrothes
SW1, 3 , 5-7, 10, 13, 14, 19, 20	Bootle 1
SW2, 4, 8, 9, 11, 12, 15-18	Glenrothes
W1-14	Bootle 1
WC1 & 2	Bootle 1

Office Addresses

St Austell 2
Penhaligon House,
Trinity Street,
St Austell,
Cornwall PL25 5BA

01726 624200

Bootle 1
1st Floor,
The Triad,
Stanley Road, Bootle,
Merseyside L69 9HB

0151 300 5000

Glenrothes
Saltire House,
Pentland Park,
Glenrothes,
Fife KY6 2AL

01592 222500

Leicester 7
Attenborough House,
109-119 Charles Street,
Leicester LE1 1FY

0116 2624445

Belfast 7
Dorchester House,
52-58 Great Victoria Street,
Belfast BT2 7BB

01232 236633

Our service commitment to you

The Inland Revenue and Customs & Excise are committed to serving your needs well by

acting fairly and impartially

We
- treat your affairs in strict confidence, within the law
- want you to pay or receive only the right amount due.

communicating effectively with you

We aim to provide
- clear and simple forms and guidance
- accurate and complete information in a helpful and appropriate way.

providing good quality service

We aim to
- handle your affairs promptly and accurately
- be accessible in ways that are convenient to you
- keep your costs to the minimum necessary
- take reasonable steps to meet special needs
- be courteous and professional.

taking responsibility for our service

- We publish annually our customer service aims and achievements.
- If you wish to comment, or make a complaint, we want to hear from you so we can improve our service. We advise you how to do this.

We can provide better service if you help us by

- keeping accurate and up to date records
- letting us know if your personal/business circumstances change
- giving us correct and complete information when we ask for it
- paying on time what you should pay.

Further information on customer service is available at Inland Revenue and Customs and Excise local offices, set out in our Charters, complaints leaflets (IR120 and Notice 1000) and Codes of Practice.

These notes are for guidance only and reflect the position
at the time of writing. They do not affect any right of appeal.

Issued by
the External Communications Unit of the Inland Revenue
January 2000
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